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C O N F I D E N T I A L SECTION 01 OF 02 KUALA LUMPUR 000570

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TAGS: [ETRD](#) [EAGR](#) [KIPR](#) [EINV](#) [MY](#) [AU](#)
SUBJECT: AUSTRALIA-MALAYSIA FTA TALKS: A PREVIEW OF
U.S.-MALAYSIA FTA NEGOTIATIONS

REF: A. 2005 KUALA LUMPUR 4374
[1](#)B. 2005 KUALA LUMPUR 4048

Classified By: Ambassador Christopher J. LaFleur for reasons 1.4 (b) and (d)

[1](#)1. (C) Summary: Australian trade officials negotiating an FTA with Malaysia believe their negotiations are back on track after a four month hiatus. Recent talks in Canberra led to progress on a goods chapter, and Australia recently reached agreement with Malaysia on halal certification of Australian beef exports. Malaysia continues to resist significant opening on services, however, particularly in the financial services sector. Malaysia also continues to stymie Australia's attempt to negotiate an FTA chapter on government procurement. As our FTA discussions with Malaysia will soon be moving in tandem, we will continue to engage with Australia to share our experiences. End summary.

[1](#)2. (C) In a March 22 breakfast hosted by Australian High Commissioner James Wise, Australian trade officials discussed their ongoing efforts to secure an FTA with Malaysia. Michael Mugliston, the Australian lead negotiator (he heads the Asia Trade Task Force in the Australian Department of Foreign Affairs and Trade), told the Ambassador and emboffs that last week's FTA round with Malaysia in Canberra (their first formal round of negotiations since November) saw significant progress in the goods sector, but less progress on negotiating a services chapter. Australia's target date for completing the FTA has now slipped from mid-year to the end of 2006.

[1](#)3. (C) Mugliston said that Australia was pleased at the increased level of Malaysian government participation in last week's round compared to earlier rounds. He noted, however, that the absence of officials from Bank Negara and the Finance Ministry, due in part to their participation in the U.S.-Malaysia FTA rollout in Washington, precluded any progress on financial services or government procurement. Mugliston said that, even with the appropriate officials present, Australia has not so far been able to persuade Malaysia to make any meaningful movement in either sector. Among the other service sectors of particular importance to Australia are legal services and educational services, but Malaysia so far has continued to impede greater market access in these areas as well. Mugliston said that even after several rounds Malaysian officials remain circumspect about Australia's negative list approach to the negotiations, neither rejecting it outright nor clearly agreeing to it.

¶4. (C) Australia is pleased with recent progress on halal rules on agriculture, in particular regarding beef exports to Malaysia. Mugliston acknowledged that the personal interest of Prime Minister Abdullah had spurred the GOM to reach an agreement with Australia to certify Australian slaughtering techniques as halal. Australia still seeks Malaysia's commitment in an FTA to transparency and consultations for any similar problems in the future, but the religious aspect would continue to make this issue a delicate one. Mugliston noted that, as in the United States, Australia relied on non-government Islamic centers to certify its slaughterhouses, which limits the Malaysian government's ability to control the process.

¶5. (C) Mugliston said that Malaysia is pushing strongly for a separate chapter in the Australia FTA on economic cooperation. The GOA is not enthusiastic about including a chapter in an area not directly related to trade and investment (Mugliston said that for similar reasons Australia does not seek chapters on environment or labor either). Australia provides significant capacity building to Malaysia already; Mugliston mentioned the example of an upcoming IPR training session as one in a series that Australia is organizing. Although Malaysia is happy to participate in such programs, the GOM is resisting Australia's push to include a separate IPR chapter in their FTA. The Ministry of Domestic Trade and Consumer Affairs has not proven to be a responsive negotiating partner on IPR, he added.

¶6. (C) Mugliston's current visit to KL concerns ongoing negotiations to forge an FTA among Australia, New Zealand, and ASEAN. He noted that negotiating a plurilateral agreement among 12 countries was slow-going, but that Australia nevertheless hoped to reach an agreement by mid-2007, in part to present completion of an FTA while

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Australia holds the APEC chair. Mugliston was hopeful that, given Australia's existing FTAs with Singapore and Thailand and its near-FTA with Malaysia (the three Southeast Asian countries represent the bulk of Australian trade with ASEAN), an ASEAN FTA by mid 2007 was not an unreasonable expectation.

¶7. (C) Comment: Australia's FTA negotiations with Malaysia continue to preview some of the challenges that the U.S. will face as we begin our own negotiations with Malaysia. Our discussion with Australia's trade negotiators revealed a few surprises, such as Malaysia's reluctance to negotiate an IPR chapter; we have not heard similar comments from Malaysia regarding our proposal to include an IPR chapter. Malaysia likewise has not raised with us a possible chapter on cooperation, though we had developed a significant program of such assistance through our Trade and Investment Framework Agreement that preceded the launch of our FTA talks. We would not be surprised if finalization of the Australia-Malaysia FTA continues to slip and perhaps even falls behind U.S. talks with Malaysia. With the U.S.-Malaysia FTA taking up more of the GOM's resources, Malaysia may not feel the need to rush through an agreement with Australia (which does not operate under a deadline, as we do under TPA). As our FTA negotiations begin to move in tandem, Embassy will continue to engage our Australian colleagues regarding our shared experiences. End comment.
LAFLEUR